



Calhoun: The NPS Institutional Archive
DSpace Repository

Theses and Dissertations

Thesis and Dissertation Collection

1994-06

An evaluation of the acquisition streamlining
methods at the Fleet and Industrial Supply
Center Oakland

Molano, Elmer M.

Monterey, California. Naval Postgraduate School

<http://hdl.handle.net/10945/28181>

Downloaded from NPS Archive: Calhoun



Calhoun is a project of the Dudley Knox Library at NPS, furthering the precepts and goals of open government and government transparency. All information contained herein has been approved for release by the NPS Public Affairs Officer.

Dudley Knox Library / Naval Postgraduate School
411 Dyer Road / 1 University Circle
Monterey, California USA 93943

<http://www.nps.edu/library>

DUDLEY KNOX LIBRARY
NAVAL POSTGRADUATE SCHOOL
MONTEREY CA 93943-5101

DUDLEY KNOX LIBRARY
NAVAL POSTGRADUATE SCHOOL
MONTEREY CA 93943-5101

Approved for public release; distribution is unlimited.

An Evaluation of the Acquisition Streamlining
Methods at the Fleet and Industrial Supply Center Oakland

by

Elmer M. Molano
Lieutenant Commander, Supply Corps, United States Navy
BS, FEATI University, 1975

Submitted in partial fulfillment
of the requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL
June, 1994

REPORT DOCUMENTATION PAGE			<i>Form Approved</i> OMB No. 0704-0188	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188), Washington, DC 20503.				
1. AGENCY USE ONLY (Leave Blank)		2. REPORT DATE June, 1994	3. REPORT TYPE Master's Thesis	
4. TITLE AND SUBTITLE An Evaluation of the Acquisition Streamlining Methods at the Fleet and Industrial Supply Center Oakland			5. FUNDING NUMBERS	
6. AUTHOR(S) Molano, Elmer M.				
7. PERFORMING ORGANIZATION NAMES(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000			8. PERFORMING ORGANIZATION	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)			10. SPONSORING/MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.				
12a. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution is unlimited.			12b. DISTRIBUTION CODE	
13. ABSTRACT (Maximum 200 words) The purpose of this thesis is to identify and discuss the viable methods associated with streamlining the acquisition process at Fleet and Industrial Supply Center (FISC) Oakland. Findings were that the implementation of Competition in Contracting Act (CICA) and the Acquisition Streamlining Initiative (ASI) of 1986 have not affected Procurement Administrative Lead Time (PALT). This research identifies several measures undertaken by FISC Oakland to streamline the acquisition process. Recommendations include issuance of a draft Statement of Work (SOW)/Request for Proposal (RFP), utilization of early synopsis and development of a management information system.				
14. SUBJECT TERMS			16. PRICE CODE 79	
			15. NUMBER OF PAGES	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT UL	

ABSTRACT

The purpose of this thesis is to identify and discuss the viable methods associated with streamlining the acquisition process at Fleet and Industrial Supply Center (FISC) Oakland. Findings were that the implementation of Competition in Contracting Act (CICA) and the Acquisition Streamlining Initiative (ASI) of 1986 have not affected Procurement Administrative Lead Time (PALT). This research identifies several measures undertaken by FISC Oakland to streamline the acquisition process. Recommendations include issuance of a draft Statement of Work (SOW)/Request for Proposal (RFP), utilization of early synopsis and development of a management information system.

1/10/2020
M. G. G. G.
C. 1

TABLE OF CONTENTS

I. INTRODUCTION	1
A. BACKGROUND	1
B. FOCUS OF RESEARCH	2
C. RESEARCH QUESTIONS	3
D. RESEARCH METHODOLOGY	3
E. SCOPE OF THE STUDY	4
F. ASSUMPTIONS	5
G. ORGANIZATION OF THE STUDY	5
II. THE ACQUISITION PROCESS	6
A. INTRODUCTION	6
B. THE GENERIC ACQUISITION PROCESS	6
1. The Pre-Solicitation Phase	7
2. The Solicitation-Award Phase	10
3. The Post-award Administration Phase	13

C. THE FISC OAKLAND ACQUISITION PROCESS	14
1. The Pre-Solicitation Phase	14
2. The Solicitation Phase	16
3. The Evaluation, Negotiation and Award Phase	17
D. SUMMARY	21
III. THE ACQUISITION ENVIRONMENT	22
A. INTRODUCTION	22
B. THE COMMISSION ON GOVERNMENT PROCUREMENT OF 1972	23
C. OFFICE OF FEDERAL PROCUREMENT POLICY (OFPP)	25
D. THE UNIFORM FEDERAL PROCUREMENT SYSTEM (UFPS)	26
E. THE FEDERAL PROCUREMENT REFORMS OF 1982	27
F. FEDERAL ACQUISITION REGULATION (FAR)	28
G. THE COMPETITION IN CONTRACTING ACT (CICA) OF 1984	30
H. THE IMPACT OF CICA ON THE ACQUISITION PROCESS AT FISC OAKLAND	34
I. SUMMARY	36
IV. THE ACQUISITION STREAMLINING INITIATIVES	37

A. INTRODUCTION	37
B. SHEA TASK FORCE OF 1977	37
C. THE CARLUCCI INITIATIVE OF 1981	38
D. THE PACKARD COMMISSION OF 1985	38
E. THE ACQUISITION STREAMLINING INITIATIVE (ASI) OF 1986	40
F. THE US NAVY'S SUPPORT OF THE ACQUISITION STREAMLINING INITIATIVE	41
G. STREAMLINING DEFENSE ACQUISITION LAWS (SECTION 800)	43
H. REINVENTING FEDERAL PROCUREMENT	46
I. FISC OAKLAND'S SUPPORT OF THE ASI	49
1. Quality Management Review (QMR)	50
2. "Buyer Alerts"	51
3. Procurement Memorandums (PROMEMO)	51
4. Education and Training	52
J. SUMMARY	54
V. ANALYSIS	55
A. INTRODUCTION	55

B. DISTRIBUTION-FREE ANOVA OF FISC OAKLAND PALT	
STATISTICS	55
1. Analysis of PALT for OACs	59
2. Analysis of PALT for DCs	60
C. SUMMARY	62
VI. CONCLUSIONS AND RECOMMENDATIONS	63
A. INTRODUCTION	63
B. CONCLUSIONS	63
1. Conclusion 1	63
2. Conclusion 2	64
C. RECOMMENDATIONS	64
1. Recommendation 1	65
2. Recommendation 2	65
3. Recommendation 3	65
D. RECOMMENDATIONS FOR FURTHER RESEARCH	66
APPENDIX A. ORGANIZATIONAL CHART OF THE REGIONAL	
CONTRACTING DEPARTMENT, FISC OAKLAND	67
APPENDIX B. PERSONAL INTERVIEWS	68

REFERENCES	69
INITIAL DISTRIBUTION LIST	70

I. INTRODUCTION

A. BACKGROUND

In recent years, the manner in which the Department of Defense (DoD) conducts business has been criticized by Congress and the American public. In particular, gross excesses, loss of accountability, and general poor management in the acquisition arena have been cited. Compounding this problem is a shrinking budget. Congress has thus become adamant that DoD change the "business-as-usual" mindset and aggressively seek efficient, cost-cutting measures.

One of the major reasons for problems in acquisition program management is the overabundance of military specifications and standards. It is DoD policy to have a uniform series of standards and specifications for application in the procurement process. The Defense Standardization and Specification Program (DSSP) is the program under which these standards, specifications, and related documents are prepared and maintained to meet contract requirements. There are more than 40,000 military specifications and standards in the DSSP. It is not surprising, therefore, that the costly, complex world of military systems acquisition has been receiving much national notoriety (the ability of DoD to efficiently carry out its fiduciary responsibility has been seriously questioned).

Defense acquisitions is the single largest industry in the world, accounting for approximately \$137 billion in procurement in 1989 (Sherman, 1991, p. 22). Although

DoD does manufacture a small percentage of its own equipment, it depends on the private sector to design, develop, and produce the vast majority of systems for the defense of the nation. This is the interface in which the problem of increasing bureaucracy and overregulation begins. The acquisition of major defense systems has become so complex and resource-consuming, that system costs have become prohibitive, and systems take too long to field, thereby increasing the chance of obsolescence. Ways to reduce the cost and time involved in fielding a weapon system must be found to improve efficiency. Deputy Secretary William H. Taft IV, in his 11 June 1986 memorandum and ensuing DoD Directive 5000.43, may have found a key: the Acquisition Streamlining Initiative (ASI).

B. FOCUS OF RESEARCH

The main thrust of this study is to examine the principles of the ASI and the application of those principles within the acquisition process, specifically at Fleet Industrial and Supply Center (FISC) Oakland and for the overall Naval Supply Systems Command (NAVSUP) in general. Both internal and external factors in the acquisition process will be discussed and analyzed to enable recommendations that will furnish viable methods of streamlining the acquisition process for FISC Oakland and NAVSUP.

The goal of this thesis is to evaluate the effectiveness of FISC Oakland's implementation of the ASI principles and to recommend viable methods of streamlining the acquisition process at FISC Oakland and other NAVSUP activities while maintaining the benefits of the Competition in Contracting Act (CICA) and other procurement

legislation and programs. FISC Oakland will benefit from the information presented because of the resultant improvement in FISC's ability to procure end-user goods and services for its fleet and shore based customer activities.

C. RESEARCH QUESTIONS

Based on the objectives cited above, the following primary research question is addressed in this study: What are the viable methods of streamlining the acquisition process at FISC Oakland?

In support of the primary research question, the following subsidiary questions are addressed:

- ♦ What are the essential components of the acquisition process?
- ♦ What are the different types of open purchase transactions being processed by FISC Oakland and how do they affect the acquisition process?
- ♦ What are the principal contracting techniques currently used for acquisition?
- ♦ What are the characteristics of customers at FISC Oakland?

D. RESEARCH METHODOLOGY

The information presented in this study was obtained through primary and secondary research. Primary research consisted of personal and telephone interviews of key personnel within the contracting directorates of FISC Oakland, NAVSUP, and selected suppliers. Data on the acquisition process were compared and analyzed, covering the period before and after the establishment of the ASI.

The secondary research methodology employed was a review of relevant literature. Literature was obtained from NAVSUP, the Naval Postgraduate School library, the Defense Logistics Studies Information Exchange (DLSIE), and the Defense Technical Information Center (DTIC). Additional data were obtained from current and past DoD and Federal instructions, directives and regulations, and previous theses and current publications relevant to the Federal acquisition process. Results from interviews and contract file analysis were the basis for assessing the effectiveness of FISC Oakland's streamlining efforts.

E. SCOPE OF THE STUDY

This thesis is limited to studying the procurement process at FISC Oakland for end-user goods and services valued in excess of \$25,000. The small purchase process at FISC Oakland was not included in the research for this study. The study focuses on the procurement process from the point when a purchase request (PR) is received by the center until an award document is signed by the contracting officer. This study also analyzes the impact of recent acquisition legislation on the ASI, which affects the acquisition process. All conclusions and recommendations were based on the analysis provided.

F. ASSUMPTIONS

Throughout this study it is assumed that the reader is familiar with the Federal acquisition process and its limitations and idiosyncrasies. It is further assumed that the reader is familiar with basic terminology used by the Navy and with basic contracting and acquisition terminology.

G. ORGANIZATION OF THE STUDY

This thesis is organized to give the reader a comprehensive overview of the acquisition process at FISC Oakland and the legislative environment in which it operates. Chapter II presents an in-depth review and description of the procurement process, both generally and specifically as it pertains to FISC Oakland.

Chapter III provides a review of the changing acquisition environment and focuses on one piece of legislation, the Competition in Contracting Act (CICA), which has had the most significant effect on the acquisition process at FISC Oakland. Chapter IV discusses the ASI policy and the US Navy's support of ASI. Chapter V presents an analysis of acquisition process statistics at FISC Oakland for the period 1984 (pre ASI) through 1993 (post ASI). Chapter VI provides conclusions and offers recommendations for streamlining the acquisition process at FISC Oakland and other NAVSUP activities.

II. THE ACQUISITION PROCESS

A. INTRODUCTION

This chapter focuses on the specific steps in the acquisition process. A generic acquisition process is presented first, followed by the acquisition process being used at FISC Oakland.

B. THE GENERIC ACQUISITION PROCESS

An acquisition begins at the point when an agency's needs are established. The process includes the description of requirements to satisfy the agency's needs, the solicitation and selection of sources, the award of the contract, contract financing, contract performance, contract administration, and those technical and management functions directly related to the process of fulfilling the agency's needs by contract [FAR, 1992, Para. 2.101].

The key steps in a generic acquisition process are detailed below. The steps described may not occur in the exact sequence presented, since the sequence of events may differ according to the agency conducting the acquisition; the goods or services required; the size, type, and complexity of the acquisition; the economic interests and public concerns in a given transaction; and the laws and procedures that govern each case.

1. The Pre-Solicitation Phase

Agency need determination is the process by which a comprehensive plan is developed to fill an identified need by contract in the most economical, timely, effective, and equitable manner. A continuous mission analysis is performed; a formal need statement is prepared; liaison is established between the program office and the contracting office; acquisition planning is initiated; the program is formulated and approved; advance cost estimates are prepared; budget authorization and appropriations are prepared; and the project is selected and approved. The choices of how to meet the Government's needs range from procurement of off-the-shelf commercial items, to use of "in-house" or intragovernment resources, to the acquisition of special items from the private sector.

If the decision is made to contract for the required material, the requirement specification is then developed. A market survey is performed and the requirement is specified in terms of a statement of work, functional specification, performance specification, commercial item description, or other purchase description.

After the requirement is described, a list is prepared that delineates the required Federal and Military Specifications and Standards. Quality and quantity requirements are determined, delivery and performance requirements are set, and other contract requirements are specified, such as: financial reporting by the contractor, subcontracting requirements, technical data considerations, contractor management systems,

Government furnished property and equipment, spare parts provisioning, and industrial security.

Next is the preparation of the purchase request (PR) containing all of user's requirements. It specifically includes a potential source(s) of supply or a sole-source justification, contractor proposal evaluation and source selection criteria, contract estimates, and a citation of funds being committed for the procurement.

To succeed in conducting and concluding sound procurements, it is fundamental and essential to plan for the acquisition of products or services needed by the Government. Planning is perhaps the most important phase of the acquisition cycle, because it improves the likelihood that the contract will achieve its intended objective. Acquisition planning is the process by which the efforts of all personnel responsible for an acquisition are coordinated and integrated through a comprehensive plan for fulfilling the agency need in a timely manner and at a reasonable cost [FAR, 1993, Para. 7.101].

Elements of the acquisition plan consist of the following, as appropriate:

1. Review of the PR, including the feasibility of specifications, purchase descriptions, or the statement of work (SOW);
2. Review of time requirements and sufficiency of funds;
3. Determination of the availability of sources of supply;
4. Review and approval of proposal evaluation and source selection criteria;
5. Development of a source selection plan;
6. Determination of competitive procedures (sealed bidding or competitive proposals);
7. Selection of the type of contract;

8. Assessment of market conditions and the availability of qualified sources;
9. Small business and labor surplus area set-aside determinations;
10. Subcontracting requirements;
11. Screening for small disadvantaged concerns program potential;
12. Requirements for acquisition from Government-established mandatory clauses;
13. Procurement history of the product or service;
14. Identification of long lead items;
15. Determination of the kind of competition (price, technical, life cycle costing, design to cost);
16. Considerations for increasing competition, such as Commerce Business Daily (CBD) synopsis, breakout potential, economic order quantity, splitting or combining requirements, second sourcing, commercial/foreign sales potential, and the Government's market research efforts;
17. Availability of Government furnished equipment (GFE);
18. Establishing lead-time standards and milestones for the procurement;
19. Justifying and obtaining approval for a noncompetitive procurement;
20. First article approval requirements;
21. Assessment of performance risks;
22. Contract financing alternatives;
23. Identification of special contract alternatives;
24. Clearances and approvals to be obtained from higher authority;
25. Determining the need for deviations from the Federal Acquisition Regulation (FAR) or other regulations;
26. Assignment of contract administration functions;

27. Scheduling of completion times for each task; and
28. Assignment of tasks to specific personnel.

2. The Solicitation-Award Phase

The solicitation-award phase is concerned with structuring a formal statement of need for the required material and the associated terms and conditions under which the Government will seek formal offers from the private sector to fill that need. The solicitation document reflects all key decisions made in the initial planning phase. An invitation for bids (IFB) is used to solicit competitive sealed bids in the sealed bidding method of contracting while a request for proposals (RFP) is used to solicit competitive or noncompetitive proposals in contracting by negotiation. As described in the FAR (FAR, 1993, Para. 6.401), the sealed bidding method of contracting is used when: time permits the solicitation, submission, and evaluation of sealed bids; the award will be made on the basis of price and price-related factors; it is not necessary to conduct discussions with responding offerors about their bids; and there is a reasonable expectation of receiving more than one sealed bid.

By contrast, the FAR (FAR, 1993, Part 15) describes contracting by negotiation as a process that involves use of competitive proposals and discussion with offerors. Negotiation is a procedure that includes the receipt of proposals from offerors, permits bargaining, and usually affords an opportunity for offerors to revise their offers before award of a contract. Negotiation between the parties can apply to price, schedule, technical requirements, type of contract, or other terms of a proposed contract. The

evaluation of a negotiated procurement proceeds according to the following considerations:

- ♦ The factors that will be considered in evaluating proposals are tailored to each acquisition and include only those factors that will have an impact on the source selection decision;
- ♦ The evaluation factors that apply to an acquisition and the relative importance of those factors are within the broad discretion of agency acquisition officials. Price or cost to the Government are an evaluation factor in every source selection. Other factors may include cost realism, technical excellence, management capability, personnel qualifications, experience, past performance, schedule, and any other relevant factors;
- ♦ While the lowest price or lowest total cost to the Government is normally the deciding factor in many source selections, in certain acquisitions the Government may select the source whose proposal offers the greatest value to the Government in terms of performance and other factors;
- ♦ The solicitation document clearly states the evaluation factors, including price or cost and any significant subfactors, that will be considered in making the source selection and their relative importance; and
- ♦ The solicitation informs offerors of minimum requirements that apply to particular evaluation factors and significant subfactors. [FAR, 1993, Para 15.605]

The first part of the solicitation-award phase consists of preparing the solicitation document and synthesizing the requirement, and includes such actions as:

- ♦ Preparing a source list;
- ♦ Assembling IFB or RFP contents as set forth in the FAR;
- ♦ Obtaining required legal, funding, and contract clearance reviews;
- ♦ Synopsizing in the CBD;
- ♦ Effecting other pre-solicitation publicity;
- ♦ Including any special instructions to offerors;

- ♦ Mailing the solicitation;
- ♦ Public posting of the solicitation; and
- ♦ Resolving any protests from the contractors that may arise.

Under the sealed bidding method, the source evaluation stage of the process involves the opening of bids at the precise time and place specified in the IFB. The bids are recorded and an abstract (summary of each bidder by name, unit price, quantity, and bid price) of the offers is prepared. Minor informalities or irregularities are corrected and offerors are permitted to correct any apparent clerical mistakes as necessary. Finally, the contracting officer makes a determination that prospective contractors are responsible and that the prices offered are reasonable before awarding the contract.

In negotiated procurements, source selection procedures are designed to: maximize competition; minimize the complexity of the solicitation, evaluation, and the selection decision; ensure impartial and comprehensive evaluation of offerors' proposals; and ensure selection of the source whose proposal has the highest degree of realism and whose performance is expected to best meet stated Government requirements. The elements of source selection in a negotiated procurement include:

- ♦ Determination of the competitive range by evaluating each proposal in light of all elements specified in the solicitation, including cost and price, evaluation criteria, statement of work, and specifications;
- ♦ Evaluation of offerors' proposals, considering such factors as cost or price, cost realism, technical excellence, management capability, personnel qualifications, experience, past performance, schedule, and any other relevant factors;
- ♦ Notification of offerors not found within the competitive range; and
- ♦ Preparation of the negotiation strategy.

The source selection stage of the process consists of weighing offers from the private sector against stated needs, terms, conditions, and evaluation standards and selecting a contractor.

In the sealed bidding method, the contract is awarded to the responsible bidder whose bid, conforming to the IFB, will be most advantageous to the Government, considering only price and the price-related factors included in the solicitation. Under competitive negotiations, the contracting officer determines which proposals are in the competitive range for the purpose of conducting written or oral discussions. The competitive range is determined on the basis of cost or price and other factors that were stated in the solicitation, and includes all proposals that have a reasonable chance of being selected for contract award. At the conclusion of discussions with the offerors, the contracting officer issues a request for best and final offers (BAFOs). The contracting officer awards the contract after taking into account the various source selection criteria and the recommendation made by the source selection authority.

3. The Post-award Administration Phase

The post-award administration phase is the final phase of the acquisition process. Its primary objective is to ensure that the Government gets the necessary requirement filled within the time limits specified in the contract at a fair and reasonable price, as well as ensuring the contractor's compliance with the terms and conditions of the contract. Typical activities conducted during this phase include production and performance surveillance, cost monitoring, quality assurance and inspection, product

acceptance, contract disputes, contract terminations and payment for work performed and material delivered by the contractor.

C. THE FISC OAKLAND ACQUISITION PROCESS

1. The Pre-Solicitation Phase

At FISC Oakland, the acquisition process begins when a PR is received in the Regional Contracting Department (RCD). An internal control number is assigned to the PR and it is forwarded in a folder to the appropriate branch in the RCD. The RCD at FISC Oakland, depicted in Appendix A, is organized by customer (requiring activity). Each branch is assigned a number of customer activities for which it provides contracting support and services. The Branch Head assigns the PR to one of several negotiators (contract specialists) based on workload and experience.

At this point, the negotiator reviews the PR for completeness and workability, concentrating on the following specific areas:

1. Is the SOW complete and accurate and does it present a requirement that is contractable?
2. Are all the necessary approvals attached, i.e., approval by the General Services Administration (GSA) to procure Automated Data Processing Equipment (ADPE)?
3. Is the requirement competitive or does the requiring activity specify sole source? If sole source, is the proper justification and approval (J&A) for other than full and open competition enclosed?
4. Is technical data required? Is a properly completed DD Form 1423, Contract Data Requirement List, enclosed?
5. Is proper and sufficient funding provided?

After review of the PR package, the negotiator checks for previous "buys" of the same or similar goods or services for historical evidence of adequate price competition, sources, past protests, or other problems in previous procurements.

If the PR is complete and does not need to be returned to the requiring activity for any reason, the negotiator completes a Small Business Review Form and submits it to the Small and Disadvantaged Business Utilization Specialist (SADBUS) for review for possible full or partial "set-aside" for small business. After review by the SADBUS, the resident Small Business Administration (SBA) representative signs off on the Small Business Review form and returns it to the negotiator.

If the small business set-aside decision is not a matter for contention or further review, the negotiator composes and submits a synopsis of the requirements to the CBD. The synopsis must be published in the CBD for a minimum of 15 days prior to the issuance of a solicitation [FAR, 1993, Para. 5.203]. There is usually an additional six-day period from transmittal of the synopsis to the CBD and first publication. During the mandatory waiting period, the negotiator assembles the solicitation package. In addition, if the requirement is valued greater than \$500,000, the negotiator prepares the required package for review by a Contract Review Board (CRB). For requirements below the thresholds, the same documentation is prepared, however, it is signed and approved at the contracting officer level.

The CRB, consisting of the Director, RCD; Deputy Director, RCD; Director, Acquisition Division; Deputy Director, Acquisition Division; and the Competition

Advocate reviews the requirement and the negotiator's rationale and strategy for proceeding through to the negotiation phase of the acquisition. If the CRB approves the plan and the requirement is not sole source or limited competition, the solicitation is issued at the end of the 15 day synopsis waiting period.

If other than full and open competition is contemplated, a J&A accompanies the requirement package and goes before the CRB. If the J&A is approved, the RFP is issued, and the solicitation phase begins.

2. The Solicitation Phase

In accordance with the FAR, solicitations must remain open for a minimum of 30 days from the date of issuance of the solicitation [FAR, 1993, Para. 5.203]. The solicitation phase may prove to be considerably longer than the 30 days, as solicitations are often amended to make changes in quantities, specifications, and delivery schedules or to correct defects or ambiguities in the contract terms and conditions. In many instances, the negotiator will change the closing date for receipt of proposals to allow potential offerors extra time to assimilate the changed terms or conditions. Additionally, the negotiator may change the closing date in response to a request from an offeror, if he considers the request to be reasonable and in the best interest of the Government.

Another factor which may lengthen solicitation periods is the pre-proposal conference. The pre-proposal conference is usually conducted by the negotiator in conjunction with technical representatives from the requiring activity and legal counsel if considered appropriate. The conference is held to "brief prospective offerors after a

solicitation has been issued but before offers are submitted. Generally, the Government uses these conferences in complex negotiated acquisitions to explain or clarify complicated specifications and requirements." [FAR, 1993, Para. 15.409]

As bids and proposals are received at the FISC, they are marked with the time and date of receipt and safeguarded until the closing date. In the case of IFBs, the bid officer abstracts the bids at the bid opening and gives the abstract and bid packages to the negotiator. In negotiated procurements, the proposals are given intact to the negotiator who personally opens and abstracts the proposals.

3. The Evaluation, Negotiation and Award Phase

The steps in the evaluation, negotiation and award phase differ depending upon several factors, including:

- ♦ Whether the procurement is sealed bid or negotiated;
- ♦ If negotiated, the extent of competition received;
- ♦ The presence of technical and cost proposals;
- ♦ The type of contract anticipated.

If the procurement is following sealed bid procedures, the negotiator determines the responsiveness of the apparent low bidder to the Government's requirement. To be responsive, a bid must comply in all material respects with the IFB. Such compliance enables bidders to stand on an equal footing and maintain the integrity of the sealed bidding system [FAR, 1993, Para 14.301]. Next, the negotiator must determine if the

bidder is responsible. To be responsible, the bidder must meet the following criteria:

[FAR, 1993, Para. 9.104-1]

1. Have adequate financial resources to perform the contract, or the ability to obtain them;
2. Be able to comply with the required or proposed delivery or performance schedule, taking into consideration all existing commercial and governmental business commitments;
3. Have a satisfactory performance record;
4. Have a satisfactory record of integrity and business ethics;
5. Have the necessary organization, experience, accounting and operational controls, and technical skills, or the ability to obtain them;
6. Have the necessary production, construction, and technical equipment and facilities, or the ability to obtain them;
7. Be otherwise qualified and eligible to receive an award under applicable laws and regulations.

To make the determination of responsibility, the negotiator must possess or obtain the required information. Historical files may be consulted as well as other negotiators and supervisors. If the information is not available in-house, the negotiator may request a pre-award survey by the cognizant Defense Contract Management Command (DCMC) activity. Usually, the pre-award survey requests information about the low bidder and those other offerors in possible contention for an award.

Additionally, the negotiator must determine that the prices offered are reasonable before awarding the contract by using the following price analysis techniques:

1. Comparison of proposed prices received in response to the solicitation;
2. Comparison of prior proposed prices and contract prices with current proposed prices for the same or similar items;
3. Application of rough yardsticks to highlight significant inconsistencies;
4. Comparison with competitive published price lists' published market prices of commodities, similar indexes, and discount or rebate arrangements;
5. Comparison of proposed prices with independent Government cost estimates.
[FAR, 1993, Para. 15.805-2]

Finally, the negotiator may award a Firm Fixed Price or Fixed Price with Economic Price Adjustment type contract to the "responsible bidder whose bid is responsive to the terms of the invitation for bids and is most advantageous to the Government..." [FAR, 1993, Para. 14.407-1]. Procurement clerical personnel within the branch generate the appropriate award documents and submit them to the negotiator for proofreading and review. After the review, the negotiator gives the award document to the contracting officer for signature.

For competitive negotiated requirements, the negotiator must follow additional steps. After abstracting the proposals received, the negotiator develops his own evaluation strategy based upon the type of requirement, the extent of competition, and the contract type anticipated. If technical proposals are included, they are forwarded to the requiring activity for evaluation by technical personnel. Discussions may be conducted with offerors to clarify ambiguities or unclear information; however, offerors are not

advised of deficiencies in their technical proposals. Offerors with unacceptable technical proposals who have little chance for award are removed from the competition.

The next step is the evaluation of cost/price proposals. If adequate price competition exists, or the proposed prices are based on established catalog or market prices or set by law or regulation, the negotiator need not require cost or pricing data (COPD) from offerors in the competitive range. Where adequate price competition does not exist and proposed award exceeds \$500,000, COPD is required. Further, in sole source procurements and in competitive procurements when only one proposal is received and the negotiator cannot justify the price, the Defense Contract Audit Agency (DCAA) is requested to review both the COPD and the offeror's proposal and to provide audit reports.

After the technical and cost/price proposals have been evaluated, the negotiator develops a pre-negotiation clearance which outlines in detail the results of the evaluations, the establishment of the competitive range, the method in which negotiations are to be conducted, and whether BAFOs are to be requested.

After the pre-negotiation clearance is presented to the CRB and approved, the negotiator enters into negotiations with all offerors in the competitive range. The negotiations ultimately lead to submission of BAFOs. Prior to reaching an agreement with the apparent winner, the negotiator may request that DCMC perform a pre-award survey to determine responsibility. At the conclusion of negotiations a post-negotiation clearance is prepared, which outlines the results of the negotiations. The post-negotiation

clearance is presented to the CRB and, if the agreement is deemed reasonable and in the best interests of the Government, the clearance is approved and contract award is made.

D. SUMMARY

This chapter presented a detailed discussion of the generic acquisition process and the acquisition process at FISC Oakland. The following chapter presents a review of the acquisition environment in which the process must work.

III. THE ACQUISITION ENVIRONMENT

A. INTRODUCTION

This chapter focuses on the changing acquisition environment at the Fleet and Industrial Supply Center (FISC) Oakland within which the acquisition process described in Chapter II must function. It discusses various initiatives, specifically the Competition in Contracting Act (CICA), that have broadly affected the overall acquisition process. Following the discussions, an evaluation of the impact of CICA is presented.

Recent media "horror stories" have done much to foster a negative opinion of the Department of Defense (DoD) acquisition system; consequently, for the past decade the system has been under almost constant attack. Allegations of procurement fraud, waste, and abuse have been made throughout DoD. Agencies, both internal and external to the acquisition process, have reacted swiftly to the allegations by providing more regulation for the process.

Another aspect of the problem is the sheer size of the procurement system. DoD acquisition is big business. Over 9 million contracts, valued in excess of \$137 billion are awarded annually. Congress, as the "keeper of the purse", has the responsibility of ensuring that public funds are efficiently and effectively allocated and obligated.

To maintain its "finger on the pulse" of DoD acquisition, Congress has enacted broad-scoped legislation. Legislation such as the Defense Procurement Reform Act of

1984, the Small Business and Federal Procurement Reform Act of 1984, and the annual National Defense Authorization and Appropriation Acts have all impacted the process by which DoD acquires its necessary goods and services.

One act alone, the Competition in Contracting Act (CICA) of 1984, has had a more widespread effect on the acquisition process than any other legislation since the passage of the Armed Services Procurement Reform Act of 1947. CICA changed the process, the methodology and the very nature of the Federal procurement system. As a part of this change, CICA led to an increase in the overall amount of time required to contract for goods and services within DoD.

B. THE COMMISSION ON GOVERNMENT PROCUREMENT OF 1972

A result of growing concern during the sixties over whether or not public procurement was being conducted efficiently and effectively, in 1969 Congress chartered the Commission on Government Procurement to conduct a comprehensive investigation of the Government procurement process. The Commission was composed of Congressional, executive branch, and industry leaders. In 1972 the commission produced a comprehensive report that resulted in substantial changes in procurement policy and operating practices across all agencies of Government.

In attempting to address both policy and management issues, the commission proposed the creation of "an integrated system for effective management, control, and

operation of the Federal procurement process". [Sherman, 1991, p. 102-103] The elements of the proposed system were as follows:

- ♦ The creation of an Office of Federal Procurement Policy (OFPP) in the executive branch to assume fulfillment of Government-wide statutory and executive branch requirements in performing procurement responsibilities.
- ♦ An integrated statutory base for procurement implemented by a Government-wide regulatory system to establish sound policies and simplified agency procedures to direct and control the procurement process.
- ♦ Latitude for Federal agencies to carry out their responsibilities within the framework of Government-wide statutes, policies and controls.
- ♦ Availability of funds in time to permit improved planning and continuity of needed Federal and contractor operations.
- ♦ Government-wide recruitment, training, education and career development programs to assure professionalism in procurement and the availability of competent, trained personnel.
- ♦ Carefully planned agency organizations staffed by qualified people who are given adequate authority to carry out their responsibilities.
- ♦ A coordinated Government-wide contract administration and audit system to avoid duplication and, when practical, deal uniformly with the private sector in the administration of contracts at supplier locations.
- ♦ Legal and administrative remedies to provide fair treatment of all parties involved in the procurement process.
- ♦ An adequate management reporting system to reflect current progress and status so that necessary changes and improvements can be made when the need appears.
- ♦ A continuing Government-wide program to develop better statistical information and improved means of procuring goods and services. [Sherman, 1991, p. 103]

The commission stressed the importance of management in the procurement process, apparently because the commission's findings suggested that some Government

executives had failed to provide a businesslike process, and because in Government, as in the private sector, "organizational success depends largely on effective contracting." [Sherman, 1991, p. 104] The core proposal, to create a policy office with Government-wide influence and authority, was completed by the Congress on August 30, 1974, when OFPP was established.

C. OFFICE OF FEDERAL PROCUREMENT POLICY (OFPP)

The Office of Federal Procurement Policy (OFPP) was established as a part of the Office of Management and Budget (OMB) in 1974 for the purpose of bringing into existence a single central policy office within the executive branch with the authority to interact with the Congress, and to be responsible for the coordination and development of the procurement regulation system. As a part of the Office of Management and Budget (OMB), OFPP's assigned role is to function as a policy office, not as a procurement office. It holds no operating responsibilities and has neither the staff nor the authorization to function in an acquisition role. Acquisition functions and personnel remain within the jurisdiction of the procuring agencies. The OFPP was not given exclusive policy-making authority, and this basic structure still exists, where numerous executive agencies all promulgate policies that govern agency-unique aspects of procurement. Although established within the OMB as a part of the executive branch and therefore subject to the direction of the President, OFPP is also directly granted specific powers. The administrator must report annually (and at other times) to the Congress. To

facilitate his work, the Congress directed executive agencies to make their resources available and to provide information and records to the administrator as requested. This unique status gives OFPP great potential influence over the improvement of the Federal procurement system.

Since its establishment, OFPP has developed many policy documents, such as OMB circulars and OFPP policy letters. Of the various projects sponsored by OFPP, the most ambitious is the writing of the Federal Acquisition Regulation (FAR). The project began in January, 1978, and was completed with its implementation in April 1984. [Sherman, 1991, p. 74,105]

D. THE UNIFORM FEDERAL PROCUREMENT SYSTEM (UFPS)

In February 1982, the OFPP, in response to Public Law 96-83, completed a report to the Congress entitled "Proposal for a Uniform Federal Procurement System." The features of the desired Federal procurement system were to create a system that would "effectively satisfy agency mission needs" by establishing an amended statutory foundation for procurement and by creating a "simple, understandable regulation." [Sherman, 1991, p. 32] Oriented toward effective management practices, the desired system features were as follows:

- ♦ A streamlined management structure with clear lines of authority, responsibility, and accountability;
- ♦ Decentralized agency procurement operations that are responsive, efficient, and free of cumbersome rules and regulations;
- ♦ A professional work force with latitude for initiative and business judgment;

- ♦ Understandable and measurable standards for management and operational performance;
- ♦ A control system that identifies problems early;
- ♦ Organized feedback of information on system performance;
- ♦ A means for adjusting the individual components of the system. [Sherman, 1992, p. 32].

This proposal stimulated efforts within the Federal Government to improve the management processes associated with procurement. Media and Congressional attention turned to quality, cost, effectiveness, and ethical issues, creating legislation designed to correct perceived abuses, on an issue-by-issue, rather than systemic, basis. [Sherman, 1991, p. 31-33]

E. THE FEDERAL PROCUREMENT REFORMS OF 1982

After the delivery of the UFPS proposal on 17 March 1982, President Reagan issued Executive Order 12352, entitled "Federal Procurement Reforms." The executive order, the first such order to deal with procurement, was aimed directly at "ensuring effective and efficient spending of public funds." The order directed the heads of executive agencies to take specific steps to improve the management of procurement. It required completion and implementation of the new Federal Acquisition Regulation (FAR), development of personnel policies that would generate a professional procurement work force, and confirmed the leadership role of the OFPP in developing procurement policy and overall reform activities. [Sherman, 1991, p. 33]

F. FEDERAL ACQUISITION REGULATION (FAR)

The current system of regulations has been in place since 1984, and is known as the Federal Acquisition Regulation System. Its primary document, the FAR, is published as Title 48, Chapter 1, Code of Federal Regulations. The system includes thirty-three supplements, published by each of the procuring agencies of the Government. According to policy statements in the FAR, the supplements are to implement FAR policies and procedures within an agency but are not to repeat unnecessarily, paraphrase, or otherwise restate the FAR.

Produced over a period of six years by a team of several dozen writers, and published on April 1, 1984, the FAR contains fifty-three parts, four of which are reserved for subjects not yet assigned. Each part is further divided into subparts, each of which addresses a specific topic. The FAR contains an index which helps in finding specific subjects in the regulation.

The Government's buying process has been found by many to be arcane and difficult to master. Its magnitude, social policy appendages, and audit-oversight rules are a few reasons for its complexity. The stated purpose of the FAR system is to codify uniform policies and procedures for acquisition by all executive agencies. The FAR is not issued by a single authority, but by agreement between the Secretary of Defense (SECDEF), the Administrator of National Aeronautic and Space Administration (NASA), and the Administrator of the General Services Administration (GSA). Each of these

agencies has been vested with authority to issue procurement policy and regulations by the respective statutes under which they have operated for many years. Two councils, the Civilian Agency Acquisition Council (CAAC) and the Defense Acquisition Regulatory Council (DARC), have been established to maintain the FAR. The two councils coordinate their activities and operate under a memorandum of understanding. Their authority is derived from the SECDEF, the NASA, and the GSA. Statutory authority granted to these agency heads is the source of authority for issuance of the FAR. Changes to the FAR and all significant changes to the agency supplements are published in the "Federal Register". By this mechanism, all persons involved in the procurement process are held to be notified of the content of the regulation changes.

The FAR is principally concerned with the behavior, actions and procedures of the supplier. By reading the solicitation provisions, clauses, and forms, one realizes that the purpose of most of the FAR material is to control the policies and practices of the supplier. Many of the first fifty-one parts of the FAR prescribe rules affecting supplier practices--not Government practices. The need for these comprehensive regulations is partly justified by public interest concerns, such as control of costs when competition is not effective, pursuit of social or economic objectives, and acquisition of services or products that are exclusively used by the Government. Regulatory complexity is created in an effort to combat profiteering and excessive prices that are periodically discovered.

The FAR may be characterized as a combination of law, policy, procedure, forms, contract clauses and admonitions for the direction of agency procurement personnel,

contractor personnel, and the public at large. The FAR system is the authoritative source of information about the Federal procurement system. In addition to maintaining their own FAR supplements, executive agencies maintain systems of directives, instructions, specifications, and standards to aid in managing agency procurement operations. [Sherman, 1991, p. 41, 107]

G. THE COMPETITION IN CONTRACTING ACT (CICA) OF 1984

The Competition in Contracting Act (CICA) was implemented in the midst of, and most certainly as a direct result of, great public concern over the Federal Government's ability to economically and efficiently procure goods and services. Signed by President Reagan into law on 18 July 1984 as Title VII of the Spending Reduction Act and Deficit Reduction Act of 1984, it represented "an amalgamation of bills...considered in the 98th Congress bringing together parts of several Senate and House resolutions." [Sherman, 1991, p. 119] CICA was a clear indication of Congress' firm belief that increased competition was the key to success in Federal procurement.

The changes to the acquisition process wrought by CICA are many, but none have been more significant than the abandonment of the historical preference for formal advertising which had been in effect since 1809 [Coy, 1986, p. 8,22]. Under the rules established by the Armed Services Procurement Act of 1947, all procurements were to be awarded using formal advertising unless the proposed procurement met one of 17

exceptions. Under CICA, "sealed bidding" (the new name for formal advertising) was required when these four conditions were met: [Mooney, 1987, p. 28]

- ♦ Time permits the solicitation, submission and evaluation of sealed bids;
- ♦ The award will be on the basis of price and other price related factors;
- ♦ It is not necessary to conduct discussions with the responding sources about their bids;
- ♦ There is a reasonable expectation of receiving more than one sealed bid. [Mooney, 1987, p. 28]

If a procurement does not meet any of the above conditions, it may be awarded using competitive proposal procedures. The competitive proposal procedures, replacing the term "negotiation", are used when any of the above conditions cannot be met. Primarily, however, competitive proposal procedures are used when discussions are required with prospective contractors to reach a contractual agreement. It is permitted, under the competitive proposal procedures, to make an award without discussions. This requires a determination that, by accepting the initial proposals, an award would result in the lowest cost to the Government. [Mooney, 1987, p. 28]

Thus, with CICA, Congress' primary concern is no longer what procedures are used to make an award, but to whom the award is made and how many other sources were considered along the way. [Coy, 1986, p. 8]

While the pervasive impetus of CICA is competition, there remain certain situations in which the Government is permitted to award a contract using

non-competitive procedures. The seven exceptions to "full and open competition" are:

[Mooney, 1987, p. 29]

- ♦ When only one responsible source is available and no alternate type of service will satisfy its needs.
- ♦ Under unusual or compelling urgency, when the Government would be seriously injured unless the agency limited the number of solicited sources.
- ♦ When restriction of an award to a particular source is required because of: the necessity to maintain a particular source to ensure its continued availability in the event of national emergency or to achieve industrial mobilization or the award is required in order to establish or maintain an essential engineering research or development capability provided by an educational or other non-profit institution or a federally funded research and development center.
- ♦ When the source is restricted under the terms of an international agreement or treaty or by direction of a foreign Government that is reimbursing the executive agency for the cost of the procurement.
- ♦ When the item is a brand name commercial item for authorized resale, or a statute expressly authorizes or requires that the source be restricted.
- ♦ When national security requires that the disclosure of the executive agency's requirement be limited to the particular source(s) from which it solicits the bid or proposal.
- ♦ When the head of the executive agency determines it to be necessary in the public interest to use procedures other than competitive procedures. This exception must be the subject of a written notification to the Congress, thirty days in advance of the award of the contract. [Mooney, 1987, p. 29]

Another major change as a result of CICA is the mandatory 45 day combined waiting period for synopsis and solicitation of the proposed procurement. Notices of the Government's intent to solicit offers must now appear for a minimum of 15 days in the Commerce Business Daily (CBD), plus a six day transmittal time to the CBD. Then,

solicitations must remain open for a minimum of 30 days to allow time for potential offerors to produce and submit their proposals. CICA also increased the requirement for the type and quantity of information to be included in the synopsis.

Another major element of CICA was the requirement for each activity with procurement authority of \$25,000 or more to establish a Competition Advocate to ensure the new CICA rules were being followed. At the field contracting level, this added another review level to a system already brimming with oversight and checks and balances.

The Truth in Negotiation Act (TINA), requires an offeror to submit certified cost or pricing data (COPD) for contracts expected to exceed \$100,000. This COPD must be certified as being accurate, complete, and current as of the date of the agreement on price, i.e. when the "handshake" is made. (An increase to \$500,000 for DoD contracts and subcontracts was authorized on a test basis by the Congress in the 1991 Defense Authorization Act) [Sherman, 1991. p.261]

A final, but certainly no less significant, result of CICA implementation is the change to the protest procedures. Under CICA agencies are prohibited from proceeding with a contract award if a protest has been filed within the proper time frame and in accordance with applicable procedures. Additionally, if a protest is received within 10 days after award, performance must stop and may not be resumed until the protest is adjudicated. These requirements hold true unless the agency notifies the Comptroller General that the contract award and/or performance must proceed due to "urgent and

compelling circumstances". [Sherman, 1991. p.261] If the Comptroller General, after determining the facts of a case, finds a valid basis exists for the protest, he or she has 45 days to recommend one of the following five actions to the contracting officer. Depending on the circumstances, the contracting officer may be directed to:

- ♦ Refrain from exercising any options under the contract;
- ♦ Issue a new solicitation;
- ♦ Resubmit the contract for competition immediately;
- ♦ Terminate the contract;
- ♦ Make an award which is consistent with the requirements of the statute or regulation which has been violated.

CICA has opened the door to a record number of protest actions, each one delaying the delivery of needed goods and services and increasing the time required to contract.

H. THE IMPACT OF CICA ON THE ACQUISITION PROCESS AT FISC OAKLAND

CICA was enacted to correct problematic situations that were evident in the acquisition process. While it is understood that it is Congress' responsibility to "protect the public trust", exactly how much micro-management is necessary to ensure the American taxpayer is receiving the best value for his or her tax dollar is a point of contention. Whether or not Government procurement professionals required CICA to instruct them in how to seek out competition and receive the best value for the lowest cost is a question that cannot be fully answered with the evidence at hand.

The impact of CICA on the administrative time required to contract is great. While some provisions may serve to reduce the time to perform one or more particular tasks, current evidence points to a substantial net increase in procurement administrative lead time (PALT). Interviews with key officials at Naval Supply Systems Command (NAVSUP) and FISC Oakland indicated that the following changes have contributed to increased PALT at FISC Oakland:

- ♦ The preparation of Justification and Approvals (J&A) for non-competitive procurements has increased PALT. Although the Determination and Findings (D&F) citing one of the 17 exceptions to formal advertising is no longer required, the J&A requires more time due to the review process (an extra review board must approve the J&A as well as the approval levels for high dollar value procurements).
- ♦ The mandatory waiting time for synopsis of planned procurement in the CBD and the 30 day minimum solicitation times have led to increased PALT. At FISC Oakland this means a minimum of 51 days (6 day transmittal time of the synopsis to the CBD plus 15 day synopsis plus 30 day solicitation) before the negotiator can begin action to award a contract.
- ♦ Increased competition means more prospective offerors are receiving solicitations. While not true for every procurement, this usually means more proposals are received which must be evaluated. If technical proposals are included, PALT increases exponentially, with 150-200 day evaluation periods commonplace.
- ♦ Smaller firms, unfamiliar with Government procedures and specifications, are requesting solicitation packages since CICA implementation. This has resulted in increased PALT because of the many questions and uncertainties the smaller firms have regarding the statement of work (SOW) or one or another of the specifications. With the desire for "full and open competition" it is difficult to decline a firm's request for an extension of the solicitation closing date.
- ♦ Another aspect of the increased number of proposals received is in more time being required to receive audit reports from Defense Contract Audit Agency (DCAA) and field pricing reports from Defense Contract Management Command (DCMC). While 60 days is normally the required time to perform an audit and return the report to the contracting activity; because of sheer numbers it can take up to six months to receive the audit reports.

I. SUMMARY

This chapter has discussed several major Congressional and Presidential initiatives to improve the overall acquisition process. Key elements of each initiative were presented and analyzed, particularly CICA, and were finally discussed in terms of their specific impact on the acquisition process at FISC Oakland.

IV. THE ACQUISITION STREAMLINING INITIATIVES

A. INTRODUCTION

This chapter focuses on the various streamlining initiatives that have been implemented, which all had the objective of improving the Government procurement process.

B. SHEA TASK FORCE OF 1977

Streamlining is not a new revolutionary concept. Its roots reach back as far as 1977 with the Defense Standardization Board's "Shea Task Force" that was set up to examine the overabundance of military specifications/standards (MILSPEC/STDS). This Task Force found that MILSPECS/STDS are essential to technical procurements. They serve as a "corporate memory" for DoD, providing lessons learned and serving as a baseline for the inexperienced program manager. However, the Task Force also found that MILSPECS/STDS included a gross number of cost-drivers that are primarily non-product--those requirements concerning general system design, documentation, and management guidance (the "how-to's"). The Task Force concluded that MILSPECS/STDS needed to be improved upon, as well as their application within DoD.

[McKeever, 1987 p. 10-11]

C. THE CARLUCCI INITIATIVE OF 1981

In 1981, the Deputy Secretary of Defense, Mr. Frank Carlucci, issued a series of initiatives to improve the efficiency and effectiveness of DoD. Specifically, Initiative 14 entitled, "Reduce the Number of Department of Defense Directives and Eliminate Non-Cost Effective Contract Requirements," was in fact the forerunner of what was to become the Acquisition Streamlining Initiative (ASI). These initiatives gained momentum and support, DoD Directives started to reflect these ideas. For example, in 1982 DoD Directive 5000.1 advocated the use of common sense and tailoring of requirements to specific programs. The 1985 version of the same directive echoes these sentiments practically word-for-word:

The acquisition strategy developed for each major systems acquisition shall consider the unique circumstances of individual programs. Programs shall be executed with innovation and common sense. To this end, the flexibility inherent in this Directive shall be used to tailor an acquisition strategy to accommodate the unique aspects of a particular program. . . [McKeever, 1987. p. 11]

D. THE PACKARD COMMISSION OF 1985

Rising concern over creating an effective as well as an ethical procurement system led to the appointment of the President's Blue Ribbon Commission on Defense Management by Executive Order 12526 on 15 July 1985. This commission, chaired by David Packard, was chartered to conduct a broad examination of defense management, with particular emphasis on recognized deficiencies in the acquisition system, which were the critical problems that had stimulated its creation. The commission was directed to

examine the DoD's overall command structure and its system for determining agency requirements, as well as the administrative procedures for conducting the acquisition process. The Commission's objectives were to:

- ♦ Review the adequacy of the defense acquisition process, including the adequacy of the defense industrial base, and current law governing Federal and DoD procurement activities;
- ♦ Review the adequacy of the current authority and control of the Secretary of Defense (SECDEF) in the oversight of the Military Departments;
- ♦ Review the responsibilities of the Organization of the Joint Chiefs of Staff in providing for joint military advice and force development within a resource-constrained environment;
- ♦ Review the adequacy of the Unified and Specified Command system in providing for the effective planning for and use of military forces;
- ♦ Consider the value and continued role of intervening layers of command on the direction and control of military forces in peace and in war;
- ♦ Review the procedures for developing and fielding military systems incorporating new technologies in a timely fashion;
- ♦ Study and make recommendations concerning Congressional oversight and investigative procedures relating to the DoD; and
- ♦ Recommend methods for improving the effectiveness and stability of resources allocation for defense, including the legislative process. [Sherman, 1991, p. 34-35]

During the period since the Packard Commission reported to the President, several actions have been taken by Congress to implement portions of the Commission's recommendations, most notably the Defense Acquisition Workforce Improvement Act (DAWIA) and the Defense Management Review (DMR).

E. THE ACQUISITION STREAMLINING INITIATIVE (ASI) OF 1986

Deputy Secretary of Defense William H. Taft IV addressed the problems brought to light by the Shea Task Force, the Carlucci initiatives, and the Packard Commission by issuing memoranda and eventually publishing DoD Directive 5000.43, entitled "Acquisition Streamlining", and popularly known as the "Acquisition Streamlining Initiative" (ASI). The ASI policy is as follows:

- ♦ Streamline solicitations and contract requirements. Requirements that are not mandated by law or established DoD policy, and do not contribute to the system's operational effectiveness, shall be excluded;
- ♦ Streamline contract requirements at the onset of development and every subsequent phase. Avoid premature application of design solutions: (a) At the onset of Development, system-level requirements will be specified in terms of mission performance and operational effectiveness; (b) Require early industry involvement (c) Prior to Full Scale Development (FSD), MILSPECS/STDS will be cited for guidance only. In the course of contractor performance, if the requirements are found pertinent to the system, they shall be tailored for application to FSD; (d) In FSD contracts, only cited MILSPECS/STDS shall be applied (first tier). All other (second tier and below) specifications referenced shall be for guidance only; (e) In Production contracts, streamlining is still pertinent with emphasis that only essential requirements are carried forward to follow-on production. In Production, only those baseline MILSPECS/STDS shall be contractually pertinent; (f) During all acquisition phases, the contractor's internal management shall be used; (g) Contractors are required, under the contract, to provide recommendations for application and tailoring of contract requirements.
- ♦ The Military Departments shall designate an advocate of Flag or Senior Executive Service rank with the responsibility of instituting policies, procedures, and management controls to assure compliance with DoD Directive 5000.43. Also, Advocates shall ensure proper training is conducted, plus, develop a program recognizing streamlining. Advocates must prepare an annual Acquisition Streamlining Plan. [DoD, 1986, p. 2-4]

The ASI is all about change, i.e., change of attitude, change in the way DoD does business. ASI is all about DoD assuming a bit more risk, acknowledging that strict

controls over every aspect in the complex, lengthy acquisition process is impossible. ASI uses common sense. Innovative thinking, yes, but not impossible to implement.

F. THE US NAVY'S SUPPORT OF THE ACQUISITION STREAMLINING INITIATIVE

Taking a cue from Deputy Secretary of Defense Taft's direction, the Navy formulated and promulgated its "ASI Principles" and "ASI Plan of Action." The Assistant Secretary of the Navy, Mr. G. C. Hoffman initially published his ASI principles in August of 1985--within ten months of the original initiatives' debut. Although they were updated in the Assistant Secretary of the Navy's memorandum of 7 January 1987, they remain virtually unchanged. The Department of the Navy (DON) ASI principles are as follows: [ASECNAV MEMO, 1987, p. 1]

- ♦ Tailor all specifications and standards to operational requirements:

Tailoring means focusing on avoiding the extraneous portions of a requirement. This includes: [Hoffman, 1986. p. 2-3]

Rewriting. When a requirement is otherwise acceptable, it may be referenced and expanded to accurately explain the application.

Extracting. When only a part of a requirement is pertinent, only that part is referenced in the procurement package.

Elimination. When a requirement is too lengthy to extract, it may be referenced with the unnecessary parts specifically eliminated.

Elimination of Tiering/Chain-Referencing. MILSPECS/STDS invoke requirements as part of their text; these requirements then reference more requirements. . . this can be controlled by invoking only those references listed

in the basic requirement (first tier), while citing the remaining tiers (second tier on down) for guidance only.

Use Industry Specifications/Standards.

- ♦ Apply pertinent requirements, specifications, and standards. . .

Overapplication--invoking extraneous requirements.

Underapplication--neglecting essential requirements, leading to sub-optimal program performance.

- ♦ Specify performance requirements versus how-to requirements.

Dictating to a contractor "how-to" perform can constrain his ability to "apply advanced, technologically innovative, and cost-effective solutions to the functional and operational performance of weapon systems and hardware." [Hoffman, 1986, p. 2]

- ♦ Use Non-Developmental Items (NDI). Utilizing already developed, available, and compatible components/material minimizes the need for costly research and development.
- ♦ Ensure industry participation in program development, design, and solicitation preparation. This allows the Navy to capitalize on state-of-the-art technologies.
- ♦ Timing. Keep options open in invoking requirements; invoke only at the latest possible time in the design/development process. Know what is absolutely required, and when to cite it as required, or just for guidance.
- ♦ Maintain disciplined risk management.

Inherent in ASI, is increased risk assumption by the Navy.

There are several ways to handle this increased risk [Hoffman, 1986, p. 2-6]

Risk Avoidance. Identify/analyze alternatives and select the least risky alternative.

Risk Transfer. Impose a greater portion of the risk on the contractor via warranties, and fixed price type contracts.

Risk Assumption. Primary technique of streamlining. Increased risk is acknowledged and assumed by the Navy.

- ♦ Conduct all acquisition programs as "good business", use common sense.

G. STREAMLINING DEFENSE ACQUISITION LAWS (SECTION 800)

With the passage of the National Defense Authorization Act for FY 1991, Congress declared that the time had come to start the process of rationalizing, codifying, and streamlining this body of acquisition law. Section 800 of that Act directed the official responsible for administering DoD acquisition laws and regulations -- the Deputy Under Secretary of Defense for Acquisition Reform, Ms. Colleen A. Preston -- to appoint an advisory panel of Government and private-sector experts to review all laws affecting DoD procurement, "with a view toward streamlining the defense acquisition process".

The Panel's objectives were that acquisition laws should:

- ♦ Identify the broad policy objectives and the fundamental requirements to be achieved. Detailed implementing methodology should be reserved to the acquisition regulations.
- ♦ Promote financial and ethical integrity in ways that are: a) simple and understandable; b) not unduly burdensome; and c) encourage sound and efficient procurement practices.
- ♦ Establish a balance between an efficient process, and: a) full and open access to the procurement system; and b) socioeconomic policies.
- ♦ Without alteration of commercial accounting or business practices, facilitate: a) Governmental access to commercial technologies; and b) governmental access to the skills available in the commercial marketplace to develop new technologies.
- ♦ Without requiring contractors to incur additional costs, facilitate the purchase by DoD or its contractors of commercial or modified commercial products and services at, or based on, commercial market prices.

- ♦ Enable companies (contractors or subcontractors) to integrate the production of both commercial and Government unique products in a single business unit without altering their commercial accounting or business practices.
- ♦ Promote the development and preservation of an industrial base and commercial access to Government developed technologies.
- ♦ Provide the means for the expeditious and fair resolution of procurement disputes through the uniform interpretation of laws and implementing regulations.
- ♦ Encourage the exercise of sound judgment on the part of acquisition personnel.
- ♦ When generating reporting requirements, permit as much as possible the use of data that already exists and is already collected without imposing additional administrative burdens. [Streamlining, 1993, p. 5-6]

To facilitate a systemic approach and to divide the labor of reviewing so many statutes, the Panel established working groups covering eight major functional areas: contract formation; contract administration; Service-specific and major systems statutes; socioeconomic requirements; small business, and simplified acquisition; standards of conduct; commercial procurement; and international defense cooperation.

The Panel's Report was transmitted to the defense committees of the Congress on 14 January 1993. Of more than 600 laws reviewed by the Panel, almost 300 were recommended for repeal, deletion, or amendment. That remarkable total reflected the fact that, throughout its work, the Panel concentrated on changes that would streamline the defense procurement process in the 1990s, when dollars are expected to be fewer, workforces smaller, and superpower security threats less urgent. The Panel's initiatives in three areas are of particular importance:

- ♦ Streamlining. There had been an unfortunate tendency in recent years for statutes to be enacted without a clear view as to their ultimate effect upon the acquisition system. The Panel took this as a challenge which prompted a concerted effort to

consolidate and simplify statutes in every area of its review. The detailed changes recommended for almost 300 statutes would result in a streamlined system of acquisition laws, more easily understood, administered, and implemented.

- ♦ **Commercial Items.** The Panel recommended significant legislative changes in order to improve the DoD's access to commercial technologies. Those recommendations are reflected not only in the Panel's analysis of the basic procurement statutes, such as the Truth in Negotiation Act (TINA) and the CICA, but they are also addressed in an entire chapter of its Report highlighting the extensive reforms needed to enhance the acquisition of commercial items, both as end-items and as components of DoD systems.
- ♦ **Simplified Acquisition.** There is a clear need to trim the DoD's administrative overhead, not only to reduce costs and cope with change but also to anticipate the effects of current and planned personnel reductions on the acquisition work force. The Panel determined that the creation of a new "simplified acquisition threshold" - initially to be set at \$100,000 - would streamline more than 50 percent of all DoD contract actions over \$25,000, while affecting less than five percent of its contract dollars. Integral to these recommendations is a continued preference for small business, as well as measures needed to simplify contract management for both the DoD and its suppliers. [Streamlining, 1993, p. 7]

There is no question that the reforms recommended by the Panel would have the greatest effect when they are passed as a comprehensive package. However, even the enactment of the major recommendations outlined in this summary would make significant progress toward the goal of streamlining and simplifying the defense acquisition process. While the improvement of that system was the primary focus of the Panel, its members fully recognized the importance of seeking Government-wide consistency in procurement matters. Therefore, they hope that their recommendations can serve as a baseline for parallel changes in the legislative underpinnings of the civilian agency acquisition process.

H. REINVENTING FEDERAL PROCUREMENT

President Clinton convened a six month study in March 1993, led by Vice President Al Gore to find ways to reinvent Government so that it will work better at less cost. This study, the National Performance Review (NPR), brought together experienced employees from all sectors of the Federal Government. Experts were organized into a series of teams to examine both agencies and cross-agency systems, such as budget, procurement, and personnel. The NPR is considered unique because it was conducted by a group of experts from within the Government as opposed to past reviews conducted by outside experts.

The NPR teams reviewed what it considered baseline information such as the Section 800 panel report, Streamlining Defense Acquisition Laws; the Merit System Protection Board study, Workforce Quality and Federal Procurement: An Assessment; and the Center for Strategic and International Studies reports on integrating civilian and military technologies addressing procurement matters. In addition, the NPR on the whole sought ideas from other Federal workers; foreign, state, and local Government officials; industry associations; union officials; management experts; business leaders; and private citizens.

The Section 800 report and the NPR both recommended substantive changes in procurement, yet the former focused solely on the DoD while the latter took a Government-wide approach to procurement reform. The Section 800 had more time to spend and a larger staff to employ for a review that focused primarily on the laws. "We

did not want to just focus on laws. We wanted to look at all levels (of Government) to see what kinds of things might be done to bring about change and make the system work better," said one of the procurement team members. [Welsh, 1994, p. 20]

The NPR report lists 20 summary recommendations for reinventing Federal procurement, namely:

1. Reframe acquisition policy. Convert the 1,600 pages of FAR from a set of rigid rules to a set of guiding principles.
2. Build an innovative procurement workforce. Provide civilian agencies with authority for improving the acquisition workforce similar to that of the DoD's.
3. Encourage more procurement innovation. Establish a mechanism to disseminate information Government-wide on innovative procurement ideas.
4. Establish new simplified acquisition thresholds and procedures. Enact legislation to simplify small purchases by raising the threshold for the use of simplified acquisition procedures from \$25,000 to \$100,000.
5. Reform labor laws and transform the Labor Department into an efficient partner for meeting public policy goals. Improve access to wage schedules through an on-line electronic system.
6. Amend protest rules. Change the standard of review at the General Services Board of Contract Appeals to conform to that used in the relevant courts.
7. Enhance programs for small business and small disadvantaged business concerns. Authorize civilian agencies to establish small disadvantaged business set-asides.
8. Reform information technology procurements. Increase the delegation of authority to agencies to purchase information technology.
9. Lower costs and reduce bureaucracy in small purchases through the use of purchase cards. Provide managers with the ability to authorize employees to purchase small dollar value items directly using a Government purchase card.
10. Ensure customer focus in procurement. Revise Procurement Management Reviews (PMR) to incorporate NPR principles such as "focusing on results" for the line managers.

11. Improve procurement ethics laws. Create consistency across the Government in the application of procurement ethics laws.
12. Allow for expanded choice and cooperation in the use of supply schedules. Allow state and local governments, grantees, and certain nonprofit agencies to use Federal supply sources.
13. Foster reliance on the commercial market. Change laws to make it easier to buy commercial items.
14. Expand electronic commerce for Federal acquisition. Establish a Government-wide program to use electronic commerce for Federal procurements.
15. Encourage best value procurement. To recognize other factors besides price, define "best value" and provide regulatory guidance to implement a program for buying on a "best value" basis.
16. Promote excellence in vendor performance. Establish an award for contractor and Government acquisition excellence.
17. Authorize a two-phase competitive source selection process.
18. Authorize multiyear contracts.
19. Conform certain statutory requirements for civilian agencies to those of defense agencies. Maintain the \$500,000 threshold for cost or pricing data requirements for the DoD and establish the same threshold for civilian agencies.
20. Streamline buying for the environment. Develop "best practice" guides on buying for the environment. Encourage multiple award schedule contractors to identify environmentally preferable products. [Welsh, 1994, p. 22]

The great strength of the NPR is that it is philosophically robust. It really does attack the roots of the problem, yet it has to be pressed on all fronts. You can not just reform procurement without reforming other areas of Government such as personnel and budgeting. It is an organic whole and the administration has to press forward on all fronts or it will just be another beautiful, elegant report.

I. FISC OAKLAND'S SUPPORT OF THE ASI

The Fleet and Industrial Supply Center (FISC) Oakland's mission is to provide products and services to the Fleet, Shore and Industrial customers that will meet their needs at an affordable price. FISC Oakland's Regional Contracting Department (RCD) function is divided into two types of actions, namely "pierside" and "other". The "pierside" procurement offices are located adjacent to the piers and are available for quick turn around Fleet support. Procurement administrative lead-time (PALT) is less than five days. The intent of "pierside" is to make available to FISC Oakland customers a series of delivery orders that will supplement routine requirements. By having this information readily available, FISC Oakland customers can easily request support without having to let individual contracts. Examples of some commonly used services are galley equipment repairs, laundry/dry cleaning equipment repairs, and personal computer (PC) repairs. The "other" category is subdivided by the type of procedures utilized to complete the purchase. Supplies and services costing less than \$25,000 are purchased utilizing the simplified small purchase method. This procedure generally allow faster processing. More complex items with drawings and special requirements may require that the drawings are provided to the offerors to ensure that they know what is required. These cases require written responses which lengthen the average PALT. Items over \$25,000 fall under large contracts and require written solicitations and responses, public notification and more contract provisions. PALTs are significantly longer.

Personal interviews conducted by the author revealed that the FISC Oakland does have a vigorous streamlining program, especially in the quality management arena. The Director of Regional Contracts Department (RCD) set forth his policy concerning Quality Management of the Contracting Process in a 3 December 1992 memorandum: quality improvement in contracting process is an organizational effort that requires all employees to participate in process analysis and control, problem reporting and elimination, and formal project team efforts. [FISC MEMO, 1992, p.2]

The Quality Improvement Process (QIP) is the central component of RCD's strategic approach to Quality Management of the Contracting Process. The QIP provides in-process review of procurement actions in lieu of the old method of reviewing the final product before issuance. This has the advantage of early detection/correction of problems and continuously improving the quality of the contracting process. This is done through process control, employee involvement, and defect prevention. The QIP has been augmented with a number of complementary initiatives namely:

1. Quality Management Review (QMR)

The QMR's purpose is to use quality milestones to resolve potential obstacles early, improving overall quality and service to the customers. The QMR establishes quality review milestones which are supplemental to reviews/approvals that are required by the Federal Acquisition Regulation (FAR), Defense Federal Acquisition Regulation (DFAR), Navy Acquisition Procedures Supplement (NAPS) and other local guidance. The QMR is conducted at a level above the Contracting Officer. The negotiator initiates

a quality review by submitting the applicable contract folder to the Contracting Officer. The Contracting Officer conducts an independent quality evaluation and coordinates with a level above the Contracting Officer to complete the quality review milestone. The quality review milestones are Acquisition Plan Approved/Quality Review, Quality Review after negotiations are complete/before mailing Best and Final Offer (BAFO) letters (as applicable), and Quality Review before contract award.

2. "Buyer Alerts"

Buyer Alerts are written notices of emergent procurement-related topics and new requirements. They communicate such things as contractor debarment, data on specific items of supply and clarification of new Federal or local procurement procedures. Buyer Alerts are keyed towards clearly defining the requirements of a specific procurement issue. Each RCD negotiator is on distribution of the Buyer Alerts, and each work unit is strongly encouraged to hold a brief "all hands" meeting to discuss the details of each new Alert.

3. Procurement Memorandums (PROMEMO)

The RCD PROMEMO system is an internal directive program for dissemination of procurement policies and procedures. These procedural memorandums serve to "localize" the often general guidance provided by the FAR, DFAR, and NAPS; and translate technical directives into clear statements of process requirements. A buyer can not be expected to conform to a requirements that can not be understood.

4. Education and Training

No employee can be expected to perform their job "right the first time" (or anytime) if they have not been provided adequate training in the technical requirements of the job. The RCD ensures that each employee receives training and education in the following:

- ♦ Skills Training - employees receives technical training in two categories namely:
 - (1) Standard DoD Procurement Courses - these courses are essential to an employee's job and facilitates their advancement in the contracting field. The courses are offered by the Navy Acquisition Management Training Office and the Navy Regional Contracting Center.
 - (2) Local Training - these courses focus on local procedures, and serve to clarify process requirements in new areas or known problem areas. The courses deal with the results of the Quality Reviews, employee/supervisor surveys, and management analysis of process performance.
- ♦ Quality Education - is a comprehensive total quality education curriculum, providing employees the knowledge and skills necessary to fully participate in the QIP. The "core" quality courses are:
 - (1) Quality Improvement Process Management - is a four day course for upper management, it provides in-depth training on the concepts of quality improvement.
 - (2) Quality Education System (QES) - is a thirty hour course for supervisors and managers, it provides an in-depth presentation of the tools, concepts, and techniques of quality improvement.
 - (3) Quality Techniques - is a twelve hour course for non-supervisors, it features the

high point of QES and stresses the process approach to quality improvement. (3)
Teams for Excellence - is a forty hour course on the skills, strategies and implementation of teams.

- ♦ Customer Training - is a no-cost course to customers, it provides training on how to properly prepare and submit the wide array of procurement/requisition documents. This helps to ensure that the input to the contracting process conforms to FISC Oakland's requirements. This win-win initiative results in productivity improvement and cost savings to both FISC Oakland and the customer.
- ♦ Customer Surveys - on a regular basis RCD formally conducts a Customer Service Survey. An easy to complete and return written questionnaire is sent to customers. The questions focus on the quality of service, timeliness, responsiveness, and ability to respond to customer problems in an effective manner. The results are thoroughly analyzed, shared with all RCD employees, and used to identify opportunities for corrective action. The survey data is used to improve FISC Oakland's processes and service, and the results of the corrective actions are shared with the customer.

Interviews conducted by the author with selected suppliers showed a mixed result. Fifty percent of the suppliers were satisfied with the length of time it took for their proposals to be processed by FISC Oakland. The other fifty percent were dissatisfied with the length of proposal processing time. Many of the latter group commented that

there was as much as an 18 to 20 month period between proposal submittal and award of the contract.

J. SUMMARY

This chapter discussed the various streamlining initiatives proposed to reduce the time and cost of an acquisition while maintaining or improving product quality. Key elements of each of the initiatives were presented and discussed in terms of their impact on the acquisition process.

V. ANALYSIS

A. INTRODUCTION

The purpose of this chapter is to present an empirical analysis of procurement lead-time data provided by the Fleet and Industrial Supply Center (FISC) Oakland. The primary focus of the analysis is to determine to what extent the implementation of the Competition in Contracting Act (CICA) and Acquisition Streamlining Initiative (ASI) has affected the acquisition process at FISC Oakland. The chapter also presents the researcher's analysis of the analysis of variance (ANOVA) results. The data analyzed are the average annual large purchase procurement administrative lead time (PALT) for the period 1984 through 1993.

B. DISTRIBUTION-FREE ANOVA OF FISC OAKLAND PALT STATISTICS

Chapter III of this study presented a discussion of the acquisition environment at FISC Oakland and included a detailed account of one law that has contributed significantly to change that environment, CICA. Chapter IV presented a discussion of acquisition streamlining initiatives, particularly the US Navy's support of ASI, that have influenced the acquisition process at FISC Oakland. This chapter presents an analysis of FISC Oakland PALT data generated during the period 1984 through 1993. The data, the

average large purchase PALT statistics for the above period, are broken down and analyzed in three parts:

1. Average PALT for all large purchase actions.
2. Average PALT for orders against contracts (OACs), including unpriced BOA orders, delivery orders, and orders against GSA schedules (ADP and non-ADP).
3. Average PALT for new, definitized contracts (DCs), including sealed bids, negotiated competitive supply and services, negotiated competitive R&D, and sole source.

Figure 1 graphically displays PALT behavior for OACs, DCs and all contracts for the period. Total PALT and OAC PALT has shown a slight decrease from a mean of 80 days and 28 days in 1984, to a mean of 78 days and 24 days in 1993, respectively. DC PALT exhibits increases from a mean of 104 days in 1984 to a mean of 147 days in 1993. OAC PALT and DC PALT are, of course, included in the total PALT curve.

Each graph has been separated into three distinct populations, A, B, and C. Population A represents the pre CICA timeframe, B represents the period after enactment of CICA prior to ASI implementation, and C is the period after ASI implementation. For Figure 1, the cutoff for populations A and B are 1985 and 1987 respectively. The CICA went into effect in 1985, and the beginning of the Navy's initiative relative to the ASI was in 1987. For DC PALT, however, the populations are divided a bit differently. The cutoff for population A was the year 1986 which represents the researcher's estimate of when the effects of CICA were first evident in either increased or decreased PALT. Likewise, the cutoff for population B was the year 1988 which represents the researcher's best estimate of when the affects of ASI promulgation would first be felt.

PALT in days

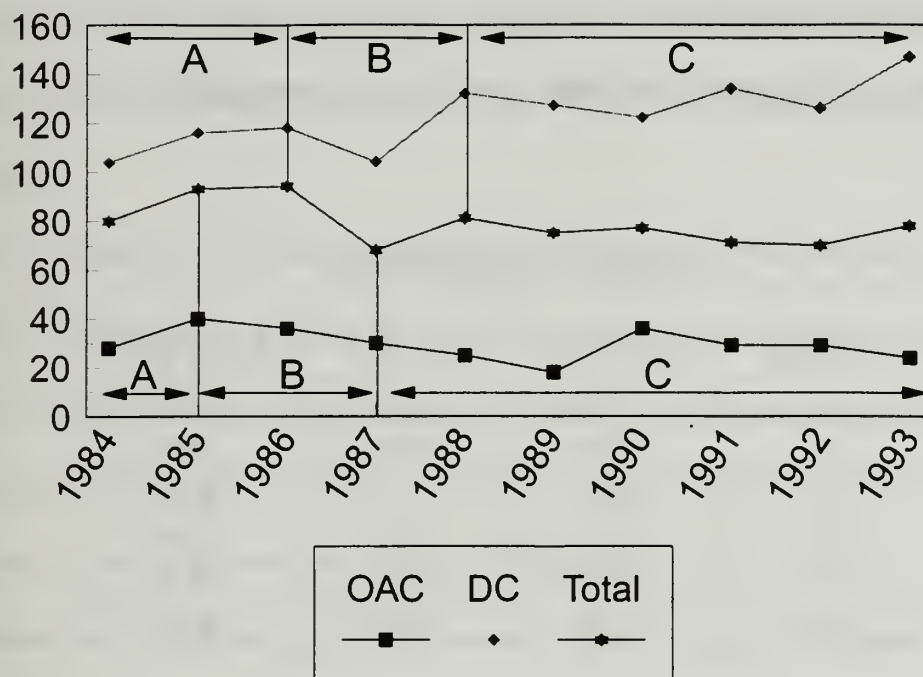


Figure 1. OAC and DC PALT versus Total PALT.

The data was analyzed with respect to these separate and distinct populations. For both OAC and DC PALTs, population A represents pre-CICA data, population B post-CICA and pre-ASI data, and population C post-CICA and post-ASI data.

While the graphs depict PALT behavior for OACs and DCs as affected by CICA and ASI, the researcher is interested in determining the statistical significance of the differences in PALTs between the three populations. Since the PALT data population falls under non-normal distribution, and sample size is smaller than usual, the researcher utilizes a distribution-free analysis of variance (ANOVA). The Kruskal-Wallis test was performed to test if the different populations have significantly different means.

Specifically, is there sufficient variation between the population means to indicate PALT was truly affected by an initiative?

The means of the various population groups are presented in Table I.

TABLE I. Population Means.			
Population	OAC PALT	DC PALT	TOTAL PALT
A	34.00	112.67	97.00
B	33.00	118.00	78.67
C	26.83	131.20	66.00
A+B	33.50	115.34	87.84
B+C	29.92	124.60	72.34
A+B+C	31.28	120.62	80.56

An analysis of these statistics clearly indicates that while PALT for OACs and total PALT has slightly decreased, PALT for DCs has slightly increased since implementation of CICA and ASI. Of particular significance is the B+C mean for DC PALT. This mean illustrates the extent to which post-CICA and post-ASI PALT has increased over the A, or pre-CICA/pre-ASI period. The question remains, however, is the difference between the means significant enough to indicate a direct effect of CICA and/or ASI? To answer this question, the ANOVA was run to test the null hypothesis: $H_0: \text{mean}_A = \text{mean}_B = \text{mean}_C$. In other words, if there is no significant difference between the means, CICA and ASI would have no significant effect on PALT at FISC Oakland.

If the difference between the means is significant, then the research hypothesis, H_A : one or more of the means is not equal, is supported and the null hypothesis is rejected. The test shows statistically whether or not the mean weighted average PALT has increased.

In performing the distribution-free ANOVA using the Kruskal-Wallis test, MINITAB calculates a P-VALUE to use in determining whether or not the null hypothesis should be accepted or rejected. If the P-VALUE is significantly large then it can be said that the variance between the means is greater than what would be normally expected due to simple random variation. Just how large the P-VALUE must be is determined by the level of significance desired. If the P-VALUE is larger than the level of significance, the null hypothesis is accepted. If the P-VALUE is smaller than the level of significance, the null hypothesis is rejected. The researcher chose a level of significance of 10% for this particular test.

1. Analysis of PALT for OACs

An analysis of the ANOVA test results for OACs, presented in Table II, reveals that there is no significant difference between the means, thus the null hypothesis is accepted, and the research hypothesis that the population means for OAC PALT are not equal and cannot be supported. A review of the PALT means for the various populations reveals little difference in actual means. For example, mean PALT for population A is 34 days, 33 days for B, and for population C is 26.83 days. Any difference between the populations can be attributed to random variation or random events, and not to any

particular event such as the enactment of CICA or the implementation of ASI. An analysis of these test results must go beyond mere examination of numbers to fully understand the outcome and relate it to CICA and ASI.

TABLE II. KRUSKAL-WALLIS TEST: PALT OAC.				
LEVEL	NOBS	MEDIAN	AVE. RANK	Z VALUE
1	2	34	7	0.78
2	2	33	7.8	1.18
3	6	27	4.2	-1.6
OVERALL	10		5.5	
H = 2.62	d.f. = 2	p = 0.271		
H = 2.65	d.f. = 2	p = 0.266 ¹ (adjusted for ties)		
¹ Since P-value (0.266) is greater than the level of significance (alpha = .10) do not reject null hypothesis (Ho) at level alpha.				

The intent of CICA was to legislate full and open competition for the Federal procurement process. For OACs, CICA would have little effect as it would have been the original contract, be it a Basic Ordering Agreement (BOA), indefinite quantity or indefinite delivery-type contract, or a General Services Administration (GSA) schedule that would have been awarded subject to the provisions of CICA. Also, the implementation of ASI would have little effect on OAC PALT, since orders are issued against contracts that were previously awarded.

2. Analysis of PALT for DCs

An analysis of the ANOVA test results for DC actions, presented in Table III, shows that there is no significant difference between the means, thus, the null hypothesis is accepted; and the research hypothesis, that the population means for DC PALT are not

equal, cannot be supported. A review of the PALT means for the various populations, reveals small difference in actual means. For example, the mean PALT for population A is 112.67 days, for population B is 118 days, and for population C is 131.2 days. Any difference between the populations can be attributed to random variation or random events, and not any particular event, such as the enactment of CICA or the implementation of ASI.

This statistical view is confirmed by the discussion found in Chapters III and IV. As noted in Chapter III, CICA has tended to *increase* PALT, while, as discussed in Chapter IV, the implementation of ASI has tended to *decrease* PALT. The result of these trends is that the net effect is a "wash", in terms of PALT. In other words, the two initiatives produce counterbalancing effects on PALT, confirming the statistical analysis, which indicates no significant impact on PALT at FISC Oakland as a result of either of these two measures.

TABLE III. KRUSKAL-WALLIS TEST: PALT DC.

LEVEL	NOBS	MEDIAN	AVE. RANK	Z VALUE
1	3	116	2.8	-1.82
2	2	118	4.7	-0.39
3	5	127	7.4	1.98
OVERALL	10		5.5	
H = 4.42	d.f. = 2	p = 0.110		
H = 4.45	d.f. = 2	p = 0.109 ¹ (adjusted for ties)		
¹ Since the P-value (0.109) is greater than the level of significance (alpha = 0.10) do not reject null hypothesis (Ho) at level alpha.				

C. SUMMARY

This chapter presented a distribution-free ANOVA using the Kruskal-Wallis test of the PALT data provided by FISC Oakland for the period 1984 through 1993. The results of the ANOVA, and the determination of a "wash" in terms of the counterbalancing effects of the two initiatives, demonstrate that CICA and ASI have had no significant effect on PALT at FISC Oakland.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. INTRODUCTION

The researcher attempted to answer the following primary question: What are the viable methods of streamlining the acquisition process at Fleet and Industrial Supply Center (FISC) Oakland.

Analysis of the research data revealed that the Competition in Contracting Act (CICA) and the Acquisition Streamlining Initiative (ASI) had no significant effect on the procurement administrative lead time (PALT) at FISC Oakland. The research showed that FISC Oakland undertook several measures for streamlining the acquisition process. Since the effect of these measures is not evident in PALT, one needs to evaluate their effectiveness with other qualitative assessments. The recommendation portion of the chapter addresses these and other methods for streamlining the acquisition process.

B. CONCLUSIONS

1. Conclusion 1

Enactment of CICA and implementation of ASI did not have significant effect on PALT at FISC Oakland. As noted in Chapter III, CICA has tended to *increase* PALT, while, as discussed in Chapter IV, the implementation of ASI has tended to *decrease* PALT. The result of these trends is that the net effect is a "wash", in terms of PALT. In

other words, the two initiatives produce counterbalancing effects on PALT, confirming the statistical analysis, which indicates no significant impact on PALT at FISC Oakland as a result of either of these two measures.

2. Conclusion 2

This research identifies several measures undertaken by FISC Oakland to streamline the acquisition process, especially in the quality management arena. As discussed in Chapter IV, FISC Oakland has implemented the Quality Improvement Process (QIP) which provides in-process review of procurement actions in lieu of the old method of reviewing the final product before issuance. This has the advantage of the early detection/correction of problems and the continuous improvement of the quality of the contracting process. Also, the following complementary initiatives were discussed in Chapter IV:

- ♦ Quality Management Review
- ♦ Regular issuance of "Buyer Alerts"
- ♦ Procurement Memorandums (PROMEMO)
- ♦ Education and Training
- ♦ Customer Training
- ♦ Customer Surveys

C. RECOMMENDATIONS

While it is evident that the initiatives of legislation such as CICA are here to stay, contracting officers must be constantly aware of additional methods and procedures to streamline the acquisition process. Accordingly, the following recommendations are presented as viable methods to streamline the acquisition process.

1. Recommendation 1

Utilize the issuance of a draft Statement of Work (SOW) or draft Request for Proposal (RFP) to industry for comment. An industry review and comments has the potential for providing excellent paybacks.

2. Recommendation 2

Utilize "early synopsis" to streamline the pre-solicitation phase of the acquisition process. Through proper planning by the customer activity and early identification of requirements, "early synopsis" means that some synopsis may be submitted to the Commerce Business Daily (CBD) prior to receipt of the procurement request (PR). Requirements which may fall in this category are yearly recurring requirements, and those for which the SOW is essentially firm with little chance of change. The synopsis would be prepared jointly by the customer and contracting personnel. Then, while final touches are being added to the PR package by the requiring activity, the synopsis would appear in the CBD, allowing for immediate preparation and issuance of the solicitation upon receipt of the PR package by the contracting activity.

3. Recommendation 3

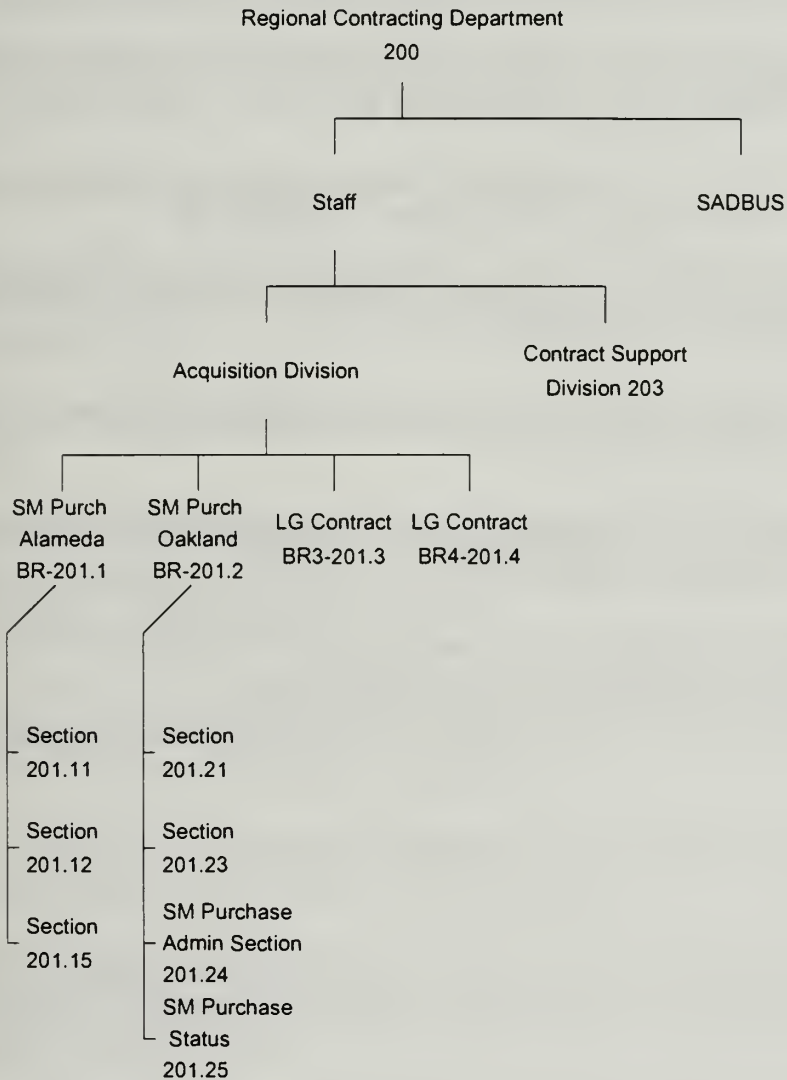
Implement a management information system (MIS) to permit contracting officers, negotiators and legal counsel to be electronically connected. This integrated system should contain important historical and decision support data, and have the capability to reduce the administrative time required to generate a contract award. Data on the contractor's past performance, pricing of same or similar items, available sources, management control information and electronic storage of contract files are all desirable features of an MIS.

D. RECOMMENDATIONS FOR FURTHER RESEARCH

Research conducted for this study has revealed the following areas for further consideration. Since the research was limited in scope and methodology, these areas have potentially significant implications for continued improvements in the acquisition process:

- ♦ Research the effects of CICA and ASI on the small purchase operation at FISC Oakland.
- ♦ Research the effects of CICA and ASI on the large contracts operation at a major system command.

APPENDIX A. ORGANIZATIONAL CHART OF THE REGIONAL CONTRACTING DEPARTMENT, FISC OAKLAND



APPENDIX B. PERSONAL INTERVIEWS

Interview between Rich Deschauer, Lieutenant Commander, SC, USN, Director, Regional Contracting Department, Fleet and Industrial Supply Center Oakland, and the author, 11 March 1994.

Interview between Forrest Tucker, Lieutenant, SC, USN, Director, Acquisition Division, Fleet and Industrial Supply Center Oakland, and the author, 11 March 1994.

Interview between Gordon Copas, Deputy Director, Regional Contracting Department, Fleet and Industrial Supply Center Oakland, and the author, 11 March 1994.

Interview between Billie Jean Lee, Deputy Director, Acquisition Division, Fleet and Industrial Supply Center Oakland, and the author, 11 March 1994.

Interview between David H. Schuur, Director, Policy Division, Naval Supply Systems Command, and the author, 12 May 1994.

Interview between Ken Boiston, Sales Manager, ABAR IPSEN Company, El Monte, CA, and the author, 16 May 1994.

Interview between Michael Wilson, Sales Manager, Allied Technology Group, INC., Fremont, CA, and the author, 16 May 1994.

Interview between Karen Pederson, Accounts Executive, WALKER, RICHER and QUINN, INC., Seattle, WA, and the author, 16 May 1994.

REFERENCES

- Assistant Secretary of the Navy for Shipbuilding and Logistics UNCLASSIFIED Memorandum for Distribution, Subject: Department of the Navy Program Plan for Acquisition Streamlining, 7 January 1987.
- Coy, Curtis L., The Competition in Contracting Act of 1984, Master's Thesis, Naval Postgraduate School, Monterey, California, December 1987.
- Department of Defense Directive 5000.43, Subject: Acquisition Streamlining, 15 January 1986.
- Federal Acquisition Regulation dated 22 January 1993.
- Fleet and Industrial Supply Center Oakland UNCLASSIFIED Memorandum to Distribution, Subject: Quality Management of the Contracting Process, 3 December 1992.
- Hoffman, G.C., "Acquisition Streamlining", Supply Corps Newsletter, January/February 1986.
- McKeever, Michelle C., Acquisition Streamlining Efforts Within the Space and Naval Warfare Systems Command, Master's Thesis, Naval Postgraduate School, Monterey, California, December 1987.
- Mooney, John E., An Analysis of the Procurement Administrative Leadtime of the Naval Regional Contracting Center Philadelphia, Master's Thesis, Naval Postgraduate School, Monterey, California, December 1987.
- Sherman, Stanley N., Government Procurement Management, Germantown, MD: Wordcrafters Publications, 1991, Third Edition.
- Streamlining Defense Acquisition Laws, Report to the Congressional Defense Committees (Executive Summary), By the Defense Acquisition Law Advisory Panel, 14 January 1993.
- Welsh, Bill, "National Performance Review - Procurement Team Studies Ways to Reinvent Federal Acquisition", Contract Management, January 1994.

INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center 2
Cameron Station
Alexandria, Virginia, 22304-6145
2. Library, Code 52 2
Naval Postgraduate School
Monterey, California 93943-5000
3. Defense Logistics Studies Information Exchange 1
U.S. Army Logistics Management College
Ft. Lee, Virginia 23801
4. Dr. David V. Lamm, Code SM/Lt 3
Department of Systems Management
Naval Postgraduate School
Monterey, California 93943-5000
5. Dr. Shu S. Liao, Code SM/Lc 1
Department of Systems Management
Naval Postgraduate School
Monterey, California 93943-5000
6. CDR Rebecca J. Adams, Code SM/Ad 1
Department of Systems Management
Naval Postgraduate School
Monterey, California 93940-5000
7. LCDR Joe Scarpa, Code 200 1
Fleet and Industrial Supply Center
250 Executive Way
Oakland, California 94625-5000
8. LCDR Elmer M. Molano 3
136 Clydesdale Drive
Vallejo, California 94590

Godffarth, Bobby
ID:3276003005903
M6676
An evaluation of the
Molano, Elmer M.
due:11/22/1997, 23:59

DUDLEY KNOX LIBRARY



3 2768 00308590 3